A 2001-31
I-K-25

Denise Gerth
04/09/03 09:44 AM

To: Joann Allman/RTP/USEPA/US@EPA
cc:
Subject: Re: NOx RACT Revision

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----- Forwarded by Denise Gerth/RTP/USEPA/US on 04/09/03 09:43 AM -----

Denise Gerth
04/03/03 08:41 AM

To: Amy_L._Farrell@omb.eop.gov
cc: Arthur_G._Fraas@omb.eop.gov, Doug Grano/RTP/USEPA/US@EPA, Jan Tierney/DC/USEPA/US@EPA, Jim Ketcham-Colwill/DC/USEPA/US@EPA, John Silvasi/RTP/USEPA/US@EPA, Tom Helms/RTP/USEPA/US@EPA
Subject: Re: NOx RACT Revision

This is a comparison to the 3/25/03 version that Doug Grano developed. Yesterday I sent you a clean copy. Let me know if you have any questions.

sip call ract 4-2-2003redline

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04/02/03 05:54 PM

To: Denise Gerth/RTP/USEPA/US@EPA
cc: Arthur_G._Fraas@omb.eop.gov, Doug Grano/RTP/USEPA/US@EPA, John Silvasi/RTP/USEPA/US@EPA, Tom Helms/RTP/USEPA/US@EPA, Jan Tierney/DC/USEPA/US@EPA, Jim Ketcham-Colwill/DC/USEPA/US@EPA
Subject: Re: NOx RACT Revision

Denise -
Can you please send as a redline?
tx,
amy

5. Proposed approach for NOx RACT determinations in areas affected by the NOx SIP Call.

All States submitting SIP revisions to meet the NOx SIP Call [October 27, 1998 (63 FR 57356)] have elected to require large boilers and turbines to comply with an emissions cap-and-trade program consistent with EPA's model cap-and-trade rule. As a result, all these sources are already subject to stringent control requirements. As described below, these sources collectively achieve more emission reductions than would be required by application of RACT requirements to each source. Therefore, where a nonattainment area is located in a State with an EPA-approved cap-and-trade program, EPA proposes that sources subject to the cap-and-trade program already meet the NOx RACT requirements.

In previously issued guidance concerning NOx RACT for boilers and turbines, EPA indicated that NOx RACT for certain types of electricity generating units (EGUs) is equivalent to the Title IV requirements and is the most effective level of combustion modification reasonably available (NOx General Preamble at 57 FR 55625). In subsequent guidance, EPA further indicated that NOx RACT should generally be expected to achieve approximately 30-50% reduction from uncontrolled levels.[1]

Large boilers and turbines subject to the NOx SIP Call cap-and-trade program are expected to achieve much greater emission reductions than these NOx RACT levels. The NOx SIP Call base case assumes EGUs meet the Title IV and/or RACT requirements. In the NOx SIP Call control case, EGUs are expected to achieve a 64% reduction beyond the base case requirements (65 FR 11225). Thus, these EGUs are expected to reduce emissions by far greater amounts than would be required by a RACT program. Furthermore, the EGU emission reductions comprise nearly 85% of the overall emission reductions resulting from the NOx SIP Call. The non-EGUs subject to the States' cap-and-trade program are expected to achieve a 60% reduction from uncontrolled levels (63 FR 57402). These non-EGU reductions are clearly beyond the 30-50% expected from a RACT program.

Because the NOx SIP Call is a market-based program, there may be a few units that choose to meet those requirements simply by emissions trading, even though the vast majority of units

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[1] Memorandum of March 16, 1994, from D. Kent Berry re: Cost-Effective Nitrogen Oxides (NOx) Reasonably Available Control Technology (RACT).

affected by the NOx SIP Call will install controls. In any nonattainment areas where this is the case, EPA believes that the overall emission reductions from sources in the NOx SIP Call cap-and-trade program will achieve more emission reductions in the nonattainment area than would application of RACT to each of those units.

In summary, the level of emission reductions required by the NOx SIP Call is far greater than the level of reductions achieved by controls we have determined to be NOx RACT. Therefore, EPA believes the sources that comply with the NOx SIP Call cap-and-trade program meet NOx RACT requirements. Accordingly, EPA proposes that the State need not perform a NOx RACT analysis for sources subject to the State's emission cap-and-trade program where the cap-and-trade program has been approved by EPA as meeting the NOx SIP Call requirements and need not submit a new NOx RACT SIP for those sources. The EPA invites comment on this approach.

As described in section 4, Proposed approach for previous source-specific major source RACT determinations, States would need to make a RACT determination for major sources not subject to the cap-and-trade program. However, in cases where States have adopted controls consistent with the NOx SIP Call for cement kilns (i.e., 30% reduction), the State may choose to accept the NOx SIP Call requirements as meeting the NOx RACT requirements for the 8-hour standard and need not submit a new NOx RACT SIP for those sources. As part of the NOx SIP Call, EPA determined that highly cost-effective controls for cement kilns will achieve a 30 percent reduction and that many cement plants in the SIP Call region implemented such controls in State RACT programs (63 FR 57418). In its RACT SIP submission, the State should identify the cement plants that are subject to NOx SIP Call controls and that, therefore, already meet RACT.

It should also be noted that this proposal in no way limits states' discretion to require beyond-RACT NOx reductions from any source (including NOx SIP call sources) in a plan to demonstrate attainment of the health-based ozone standards. In certain areas, States may choose to require NOx controls based on more advanced control technologies to provide for attainment of the ozone standards.